

RE: ADM : Shafi Revenue


 A blue rectangular stamp with a black border. Inside, the text reads "DEFENDANT'S EXHIBIT 285" in black, bold, sans-serif capital letters.

DEFENDANT'S
EXHIBIT
285

Subject: RE: ADM : Shafi Revenue
From: "Jim Dara" <jimdara@braintech.com>
Date: Tue, 4 Nov 2008 07:07:23 -0800
To: "Adil Shafi" <adil.shafi@shafiinc.com>
CC: "Rick Weidinger" <rick@weidingerfamily.com>

Adil – some comments and overflowing frustrations.....

I spent countless hours debating the merits of Braintech acquiring Shafi and as full disclosure, I was in support of the acquisition at the time based on your in-process revenues, product (including RBP) and channel readiness and market access representations. I was clearly led to believe that Reliabot, including Random Bin Picking was off-the-shelf ready, supportable in the marketplace and that you would significantly fast track eVF communication with non-ABB robots and non-Matrox vision hardware. These things were often described by you as "duck soup". As such, I accepted the minimum revenue levels identified in your forecast and Access & Acceleration plan.

More recently, emails from you suggest that the above deliverables are now anything but "duck soup", and in fact require brick, mortar, robots, equipment, internal resources, internal training, ex-Shafi employees, advanced debt payment scheduling, a strong economy, several new hires (none by the way that appear capable of performing internal training or making Reliabot work), etc. This expanding list of reasons for failure (including remarkably; eVF readiness) is of grave concern. More troubling is the fact that as COO you are directly responsible for or involved with all the items you have referenced over the last few weeks – yet based on activity levels they do not appear to be your top priorities.

It became clear early – from our very first Access & Acceleration meetings - that you did not, as claimed, have an army of engineers trained on Reliabot that were ready and willing to take on becoming our channels to the market. Most of the integrators on you're A&A schedule are frankly more concerned with the Shafi Inc. debt or resolving problematic installations than growing our businesses together. All, with the possible exception of David Dechow, will require re-training to make them minimally functional for our purposes. Many that were represented as prime targets have little or no VGR or Reliabot experience.

As worrisome, an internal investigation has determined Reliabot is anything but ready for significant sales; that a handful of PHD's can not even cut a new license if sold. How can this be the case a full quarter into this process? Is it possible that in order to simply sell and deliver a single license we must engage ex Shafi employees that will not communicate directly with you? And if this is true, is the product to this day materially "ready"? We are spending hundreds of man hours trying to engage ex employees just to close out your legacy warranty issues and become minimally functional on your product. How did this scenario evade our expectations?

Having lived through them before, I understand and even embrace the challenges presented by mergers and acquisitions. They are not often easily or quickly integrated. That being said, the clear and well defined purpose of this acquisition was to cover the short term product and revenue gap that Braintech faced as a result of its linkage to ABB. This fact is evidenced throughout our documentation but especially in your Milestones, Forecast, Access & Acceleration Schedule and Product Readiness planning. It is not an oversimplification to suggest the main focus of the acquisition was the Reliabot revenues to be generated in Q3 & Q4 of this year – with the understanding that these sales and the subsequent development of an Integrator Program and "Enhanced Egg" would serve as our foundation for 2009.

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You may recall from our negotiations that the majority of forecasted revenues were put into two buckets:

- 1) In process (Anticipated revenues from Shafi Inc's order book)
- 2) Combined (Anticipated revenues from Access & Acceleration)

Unless I am missing something, we have now gone a full quarter without one penny of revenue from your "in process" sales OR one single firm Reliabot product proposal from your Access & Acceleration schedule. Are you really suggesting that this is due to a lack of office space, which best case would just now be coming online?

You may also recall that we held a Summit Meeting shortly following the acquisition and created a business plan, based on Product Readiness, that for the balance of 2008 relied almost exclusively on your product and network of trained engineers in the field. You agreed to create a Sales Plan, Sales Incentive Plan and Integrator Program to organize and enhance the capabilities our organization and these in-place channels. To date, none of this; not the revenues, sales plan, sales incentive plan, sales activity levels, product readiness, integrator plan definition or integrator sign up has come to fruition in any tangible way.

It feels to me like we are just starting out and that there are now several new strings attached to any deliverables...

Specific to below:

I continue to find it disingenuous how you couch your Revenue commitments as targets but an Office move-in date as a contractual requirement. You may recall that you were managing our office opening in the early part of September and that each of the spaces we looked at required modifications taking 30-45 days. As such, given appropriate time for negotiation and lease contract review, we would just now – in a best case scenario – be moving into our targeted office space. More importantly, I continue to fail to see the requirement for office space as a direct correlation to revenue production. Again, you represented that you had the product and partnerships to facilitate these sales. Regarding Brighton, it was never a consideration and thus should not be promoted as such.

Regarding employees, we obviously hired Donna and it is my understanding that you have had the green light to hire Kevin for weeks now. Several of us fail to see the value in bringing on Elsie but I see that you have made her an offer as well. I would suggest that the root cause of any delays is the fact that you are so committed to hiring people located ten hours away, and that you have been unwilling to address our concerns with experience and geography, and this inflexibility is the reason we do not have resources in place. I also speculate that you have in the past and continue to share inside information with outsiders, further delaying the hires you reference. The biggest mystery to me though is why you are not as passionate about bringing on Reliabot technical expertise as it seems that without that all the rest of this is moot. Sales support functions are clearly the least of our issues.

Regarding Reliabot training, I naturally view this as your responsibility and if so why has it not yet happened? Is this in any way related to the fact that all but 2D Reliabot code remained in your basement until a few weeks ago? I recall we engaged David Dechow but that his lead-time was four weeks out. Again, this in my opinion speaks directly to product readiness. The product is either ready to be sold and supported or it is not. If not, it needs to be. I thought this was made clear and agreed upon months ago.

Regarding eVF – this has nothing to do with \$0 Reliabot revenues.

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Regarding the market conditions – I see a lack of readiness and activity as opposed to a flurry of cancelled or delayed end user programs. If we had 15 integrators signed up and 30 proposals outstanding and on hold this may carry some water. I just don't see our lack of Reliobot revenues as being a systemic economic issue right now. I would also argue that in our business we sell into economic weakness by eliminating operators, shifts, etc. while increasing throughput.

Based on the issues I have noted above, the lack of performance to goal and the mounting level of organizational fracture, some very serious decisions need to be made on how best to proceed.

Note that I too have much at stake, and I too have sacrificed a great deal to remain with this company. I think that if we can agree on nothing else, we both believe that the status quo is simply not sustainable.

Regards,

Jim Dara

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From: Adil Shafi [mailto:adil.shafi@shafiinc.com]

Sent: Thursday, October 30, 2008 11:29 AM

To: Heather Greenlay

Cc: Rick Weidinger; Jim Dara; Adil Shafi; Adil Shafi

Subject: ADM : Shafi Revenue

Hi Heather,

My answer is in three parts:

1. Siemens / Microscan Revenue
2. Reasons for New Revenue Delay
3. What we are doing to create Revenue

1. Siemens / Microscan Revenue

The August and September revenues were intended to be from Siemens (Microscan now). We had completed the driver for KUKA in July and were expecting to complete the driver for Fanuc in August with progress payments in August and September. Unfortunately, Microscan did not provide the Fanuc robot although they kept promising to do so. We are still trying to get this robot from them, but by now we have also started an alternate option to gain access to a Fanuc robot via GM Powertrain. When the robot becomes available, Aptura will be asked to finish the Fanuc driver and then we can obtain this 10.5+14.5K payment from Microscan.

2. Reasons for New Revenue Delay

There are several factors that have delayed revenues in October, November, December of this year namely, internally : office, hiring, RELIABOT training decisions, eVF customizing delays for Detroit and externally : market conditions in the USA.

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Internal : Office Decisions: According to the "Access and Acceleration" schedule (Schedule 3.26(a)) at our deal closing on August 12, 2008 we had stipulated that we move into a Detroit based office on September 10, 2008. Shortly after closing, I arranged a meeting to recommend moving into the previous SHAFI, Inc. office. It was available for move in immediately, wired to support up to six robots on independent circuits, allowed equipment to be brought in, had offices and was available for a very reasonable approximately \$2,500 / month rent. This option was turned down by Braintech management in favor of looking for a more visible, better located office. So, two other offices were identified. I expected that maybe we would slip the move in date by two or three weeks after Sep 10, but in Braintech management's zeal to negotiate an optimum lease arrangement, only one location has been sought and as of this writing in late October, a lease has still not been signed. The best estimate of a potential move in date is now in December.

Sales cannot be made, nor customers motivated to purchase from us until we have an office, equipment, trained personnel and the ability to carry out applications sales demonstrations.

Now, an office move-in in mid September would have allowed us to put robots, vision systems in the office by the end of September and to host an Open House. This was never done. Customers trust companies that have offices, equipment, and trained personnel to support them. We still do not have this to show and it will be well into December or January 2009 that we will be able to show this.

Internal : Hiring Decisions: According to Revenue Related Condition 1 in my Employment Agreement (EA), two sales support hires were to be completed "on or about" September 1, 2008. One occurred a few weeks thereafter, and the second has yet to be completed, sixty days later. Lack of sales support is affecting us. Jim Dara, the only salesperson working with me can not take on more than the 15 accounts that we have identified for him. 15 accounts to focus on will not help us to reach our sales targets. We need to complete the hiring we had set out to do. Again, in Braintech management's zeal to negotiate, delays have occurred and sometimes downright unreasonable demands on people (e.g., that Elsie White travel to Detroit like Kevin Geshel, a function that is not needed for Elsie's integrator program performance, have delayed things and made them more difficult. This, like the office situation above, remains unresolved after many weeks.

Internal : RELIABOT Training Decisions: No matter how much our customers have worked with RELIABOT, they need, from time to time, someone like Kevin North, John Nielson, David Dechow, or what was hoped to be one or more Braintech engineers to help them and support them with questions. I did this with Kevin and John until 2007 and in years before when they were full time employees and we sold many systems. Due to the automotive market, I had to lay off employees at the end of 2007 but I still was able to sell many systems thereafter with the support of David Dechow from Aptura Machine Vision Solutions. He did a great job. Now, more than two months after closing, Braintech has still not set out to train internal engineers to support the RELIABOT software. Recommended personnel for training have still not been retained to train Braintech engineers. This, coupled with the fact that we have no office in Detroit makes our customers know that we are not ready to support them and therefore they are not eagerly coming forward to buy our software and systems.

Internal : eVF Development Delays: Almost every opportunity that is presented for a possible sale to utilize eVF is responded to internally inside Braintech with a long schedule to implement and make changes. eVF is not ready to be sold to any customer outside ABB right now. Robot drivers, eVisionEngine drivers, vision changes, Random Bin Picking are all met with such responses advocating development delay. We are therefore weeks, months or quarters away from making eVF salable outside the ABB realm.

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External : Market Conditions: As you well know, the marketplace is going through an unprecedented fiscal deficit and credit crisis. This does not help the capital purchasing market into which we sell our Vision Guided Robotics systems. This climate has worsened since we closed on August 12, 2008.

3. What we are doing to create Revenue

Nevertheless, we (Jim Dara, Donna Burr and myself) have taken an "opportunistic" sales path to try to work around these impediments that are slowing us down and we are doing our best to make do with what we have... meeting in coffee shops or doing conference calls to provide a working environment for us and to make do with the engineering resources we have and can portray to potential customers.

Jim now has a focused 15 top accounts for this quarter and we are doing everything we can to turn them into orders.

Bottom Line : I do not have a revenue forecast in light of these impediments and will not until these problems are corrected.

Regards,

Adil Shafi

Hi Adil,

I need an update on the Shafi revenues for my cash flow planning.

1. My records indicate that \$25,000 Siemens was supposed to be received in August & September. Are there any further updates on this?

2. For October, there is supposed to be \$75,000 received in revenue. Nothing has been received yet that I know of. What is the status of this revenue?

Please let me know.....thanks!

Heather Greenlay, CMA

Accounting Manager

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